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WC 02-338

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SEP 25 2002

September 25, 2002

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VIA HAND DELIVERY

Federal Communications Commission
International Bureau
P.O.Box 358115
Pittsburgh, PA 15251-5115

ATTN Ms. Susan O'Connell, Esq.
Policy Division

Re: Startec Global Communications Corporation et al., and Allied Capital Corporation — Application To Assign, and To Transfer Control of Entities Holding, International Section 214 Authorizations, Interests in Cable Landing Licenses, and Domestic Section 214 Authority Pursuant to Debtors' Joint Plan of Reorganization, As Amended

Dear Ms. O'Connell:

On behalf of Startec Global Communications Corporation, debtor-in-possession ("Startec"), and Allied Capital Corporation ("Allied"), enclosed for filing are an original and five (5) copies of the above-referenced application.

Also enclosed are: (1) an FCC Form 159; and (2) a check in the amount of \$1,720.00 to cover the required processing fees for the international and domestic approvals requested in this joint application. Should you have any questions regarding Startec or its subsidiaries, please contact the undersigned at (202) 663-6269; for information concerning Allied, please contact Jason Eig, Esq., of Dickstein Shapiro Morin & Oshinsky LLP at (202) 833-5008.

Respectfully,

William R. Nifong
William R. Nifong

Enclosures

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September 25, 2002

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ATTN Ms. Susan O'Connell, Esq.
Policy Division

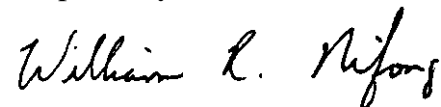
Re: PCI Communications, Inc., et al. — Application To Transfer Control of an
Entity Holding International Section 214 Authorizations, Interests in Cable
Landing Licenses, and Domestic Section 214 Authority

Dear Ms. O'Connell:

On behalf of Startec Global Communications Corporation ("Startec"), debtor-in-possession and parent corporation of PCI Communications, Inc. ("PCI"), and Allied Capital Corporation ("Allied"), enclosed for filing are an original and five (5) copies of the above-referenced application.

Also enclosed are: (1) an SCC Form 159; and (2) a check in the amount of \$1,720.00 to cover the required processing fees for the international and domestic approvals requested in this joint application. Should you have any questions regarding PCI or Startec, please contact the undersigned at (202) 663-6269; for information concerning Allied, please contact Jason Eig, Esq., of Dickstein Shapiro Morin & Oshinsky LLP at (202) 833-5008.

Respectfully,



William R. Nifong

Enclosures

**Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, DC 20554**

In the Matter of)
)
STARTEC GLOBAL COMMUNICATIONS)
CORPORATION, DEBTOR-IN-POSSESSION)
)
and its wholly owned subsidiary)
)
PCI COMMUNICATIONS, INC.,)
)
)
Transferors)
)
and)
)
~~ALLIED~~ CAPITAL CORPORATION,)
)
Transferee)
)
)
Application for Consent to Transfer of Control)

02-338

File No. _____

**APPLICATION TO TRANSFER CONTROL OF AN ENTITY HOLDING
INTERNATIONAL SECTION 214 AUTHORIZATIONS, INTERESTS IN CABLE
LANDING LICENSES, AND DOMESTIC SECTION 214 AUTHORITY**

Pursuant to section 214 of the Communications Act of 1934, **as** amended, 47 U.S.C. § 214, the Cable Landing License Act, 47 U.S.C. §§ 34-39, and sections 1.767, 63.04, and 63.18(e)(3), of the Commission's rules, 47 C.F.R. §§ 1.767, 63.04, and 63.18(e)(3), Startec Global Communications Corporation ("Startec"), a debtor-in-possession, **on** behalf of its wholly owned subsidiary PCI Communications, Inc. ("PCI"), and Allied Capital Corporation ("Allied") hereby request the Commission's approval of the indirect transfer control of PCI to Allied, together with the international section 214 authorizations, minority interests in cable landing

licenses, and domestic section 214 authorization held by PCI, **as** a result of **Startec's** proposed reorganization (**as** described below).'

THE APPLICANTS

Through its wholly owned subsidiaries Startec Global Operating Company ("**Startec** Operating") and **Startec** Global Licensing Company ("Startec Licensing"), Startec is a facilities-based provider of domestic and international long distance services that makes particular efforts to meet the needs of select ethnic businesses and residential communities located in major metropolitan areas — for example, through in-language customer service and long distance plans targeting foreign and emerging markets closely connected to these ethnic communities. Most of Startec's traffic is carried over an Internet Protocol ("IP") network, which allows it to integrate voice, data, and Internet access services. Startec also offers wholesale Voice over IP ("VoIP") services to other international long distance carriers and Internet service providers.

PCI is another wholly owned subsidiary of Startec, offering domestic and international long distance and Internet access services to residential and business customers in Guam and the Commonwealth of the Northern Mariana Islands? PCI offers such services through the operation of owned and leased telecommunications transmission facilities. PCI holds all relevant licenses necessary to conduct its business in Guam and the Marianas.

A publicly owned corporation, Allied provides private investment capital (in the form of both debt and equity securities) to private and undervalued public companies.

¹ In conjunction with the instant application, Startec and Allied **are** filing a companion application for approval of the assignment and transfer of control of the FCC licenses held by Startec and its wholly owned subsidiaries Startec Global Operating Company and **Startec** Global Licensing Company, each a debtor-in-possession.

PROCEDURAL BACKGROUND

On December 14, 2001, Startec and its wholly owned subsidiaries Startec Operating and Startec Licensing filed for bankruptcy under Chapter 11 of Title 11 of the U.S. Code in the U.S. Bankruptcy Court for the District of Maryland (Greenbelt Division) (see *In re Startec Global Communications Corp., et al.*, jointly administered under Case No. 01-25013 (DK)). Startec, Startec Operating, and Startec Licensing each continue in possession of their property and management of their businesses as debtors-in-possession pursuant to Sections 1107 and 1108 of the Bankruptcy Code. Not a party to the bankruptcy proceeding, PCI continues to operate as before.

On behalf of PCI, Startec notified the Commission by letter on July 12, 2002, of the *pro forma* transfer of control of PCI and its international section 214 authorizations to Startec as debtor-in-possession? On July 15, 2002, Startec filed an application for the *pro forma* transfer of control of PCI and its minority interests in four cable landing licenses (together with any accompanying international section 214 authorizations) to Startec as debtor-in-possession.⁴ Finally, on August 1, 2002, Startec notified the Commission of the *pro forma* transfer of control of PCI and its domestic section 214 authority to Startec as debtor-in-possession. The present

² PCI became a wholly owned subsidiary of Startec as a result of Startec's acquisition of all of the issued and outstanding stock of PCI and pursuant to Commission approval. See 14 FCC Rcd 16082 (1999).

³ Startec filed a similar letter on July 12, 2002, with respect to the *pro forma* transfer of control of the international section 214 authorizations held by Startec Operating.

⁴ Startec notes that this application was still pending as of the filing of the present application.

application is one of two applications being filed pursuant to Startec's proposed plan of reorganization?

DESCRIPTION OF THE PROPOSED TRANSACTION

Under the terms of the Debtors' Joint Plan of Reorganization, **as** amended ("the Plan"),⁵ filed with the Bankruptcy Court on September 11, 2002, and subject to Bankruptcy Court approval, Startec will be reorganized and reincorporated **as** a new Delaware corporation. PCI will continue to exist and operate **as** a wholly owned subsidiary of the reorganized Startec.

Under the Plan, the reorganized Startec will have 50 million authorized shares of new common stock. Upon consummation, unless the general unsecured creditors and holders of pre-petition notes do not vote in favor of the Plan, 28 million shares of common stock will be issued **as** follows: 90% of the shares to Allied, 2.5% to NTFC Capital Corporation ("NTFC"), and the remaining 7.5% to be shared by unsecured creditors and holders of pre-petition notes? Under the Plan, warrants and options will also be issued that, if exercised, would dilute Allied's share of common stock to 72%, and increase NTFC's to 7%.⁸ The warrant will be issued to NTFC, and the options will be issued to eligible employees.

⁵ As noted above, a second application is being filed with respect to the transfer of control to Allied of Startec and its wholly owned subsidiaries Startec Operating and Startec Licensing, together with the domestic and international section 214 authorizations and minority interests in cable landing licenses they hold.

⁶ A copy of the Plan is attached hereto. The Plan must be voted on and approved by the creditors of Startec, Startec Operating, and Startec Licensing.

⁷ If the general unsecured creditors and the holders of pre-petition notes do not vote in favor of the plan, all or a part of the 7.5% originally allocated to them will be shared, instead, by Allied and NTFC. Thus, under either alternative, Allied will hold at least a 90% controlling interest in the reorganized Startec.

⁸ The actual ownership percentages could vary slightly under the terms of the Plan, depending on the results of the creditors' vote, the exercise of options, etc. However, these variations should have no material effect on the substantial controlling interest Allied will hold in a reorganized Startec.

In addition, Allied will receive **100%** of the **6,300** shares of voting new preferred stock in the reorganized Startec. These shares **will** vote together with the new common stock **as** a class, with each share having one vote. The new preferred stock will also have the right to vote separately on certain corporate actions, including the creation of new classes of preferred stock or changes in the preferred stock's rights, mergers or consolidations, the sale of all or substantially all of Startec's assets, and liquidation or dissolution.

PUBLIC INTEREST STATEMENT

The transfer of control pursuant to the Plan will provide both Startec and its subsidiary PCI with the best opportunity to continue providing domestic and international services to a growing customer base in the United States, **Guam**, and the Marianas. Facilitating service to ethnic and linguistic communities, and connecting them with developing economies throughout the world via domestic and international long distance, Internet access, and data services, Startec and its subsidiaries play a vital role in an important niche market. For these reasons, the applicants respectfully submit that approval of this application is consistent with the public interest, convenience, and necessity, **as** required by section 63.18 of the Commission's rules, **47 C.F.R. § 63.18**. Approval of the application would also comport with the Commission's goal of "accommodat[ing] the policies of federal bankruptcy law with those of the Communications Act."² The applicants further demonstrate below that the application qualifies for streamlined treatment and request that the Commission act **as** expeditiously **as** possible in reviewing and approving the requested transfer of control in order to promote these goals and those of the bankruptcy proceeding.

^e ***LaRose v. FCC*, 494 F.2d 1145,1146 (D.C. Cir. 1974).**

**ASSIGNMENTS AND TRANSFER OF CONTROL
INFORMATION REQUIRED BY SECTION 63.18**

As noted above, Startec and Allied request Commission approval of the transfer of control to Allied of the reorganized Startec and its wholly owned subsidiary PCI.

Pursuant to sections 1.767 and 63.08 of the Commission's rules, 47 C.F.R. §§ 1.767, 63.08, the applicants submit the following information:

- (a) The name, address, and telephone number of the transferors **are:**

Startec Global Communications Corporation
1151 Seven Locks Rd.
Potomac, MD 20854
Attn: Jeffrey L. Poersch, Esq.
(Tel.) (301) 610-4667

PCI Communications, Inc.
135 Chalan Santo Papa
Agana, Guam 96910
(Tel.) (671) 477-2244
(Fax) (671) 477-6054

The name, address, and telephone number of the transferee are:

Allied Capital Corporation
1919 Pennsylvania Ave., NW
Third Floor
Washington, DC 20005-3434
Attn: Mr. Scott Binder
(Tel.) (202) 331-1112

- (b) The reorganized Startec will be a Delaware corporation headquartered in Potomac, Maryland. PCI will continue to be a corporation organized under the laws of Guam and headquartered in Agana, Guam.

Allied is a Maryland corporation headquartered in Washington, DC.

- (c) Correspondence concerning this application should be sent to:

for Startec and PCI:

Jeffrey L. Poersch, Esq.
Startec Global Communications Corporation
1151 Seven Locks Rd.
Potomac, MD 20854
(Tel.) (301) 610-4667

with a copy to:

William R. Nifong
Wilmer, Cutler & Pickering
2445 M St., NW
Washington, DC 20005
Tel. (202) 663-6269

For Allied:

Allied Capital Corporation
1919 Pennsylvania Ave., NW
Third Floor
Washington, DC 20005-3434
Attn: Mr. Scott Binder
Fax No.: (202) 659-2053

with a copy to:

Dickstein Shapiro Morin & Oshinsky LLP
2102 L St., NW
Washington, DC 20037
Attn: David Parker, Esq.
Fax No.: (202) 887-0689

(d) **PCI (Transferor):**

- i. **SCL-92-005(M)-2/ITC- 5-394** — PCI received authority to acquire a minority ownership in facilities **on** the TPC-5 Cable System, **as well as** international section 214 authority to use its cable facilities on a common carrier basis.
- ii. **SCL-LIC-98-002** — PCI received authority to acquire a minority ownership in facilities **on** the China-US Cable System.
- iii. **SCL-89-004** — PCI received authority to acquire a minority ownership in facilities on the Guam-Philippines Cable System.

- iv. **SCL-LIC-19981117-00025** — PCI received authority to acquire a minority ownership in facilities **on** the Japan-US Cable System.

Descriptions of each of the cable systems and the cable landing stations are provided in the underlying license **applications**.¹⁰

- v. **ITC-91-171, ITC-93-047, ITC-96-432** — PCI holds international section 214 authorizations to provide facilities-based and resale services between the United States and all international points (except for those listed on the Commission's Exclusion List).¹¹

Allied (Transferee)

Allied has never applied for or received authority under section 214 of the Communications Act of 1934, **as** amended, 47 U.S.C. §214. Allied has **also** neither sought nor received a cable landing license pursuant to sections 34-39 of the Cable Landing License Act, 47 U.S.C. §§ 34-39.

- (e) No response required.
- (f) No response required.
- (g) No response required.
- (h) No person or entity directly or indirectly owns 10% or more of the equity of Allied, and no officer or director of Allied is also an officer or director **of** a foreign carrier.
- (i) Allied is not a foreign carrier. Allied and its wholly owned subsidiary, High Tension Wireless LLC, hold an approximately 85% ownership interest in Acme Paging LP, a limited partnership that is comprised **of** a number of partners, including Allied and High Tension Wireless LLC. **High** Tension Wireless LLC is also the general partner of Acme Paging LP.

Acme Paging LP has a number of indirect subsidiaries that hold licenses in various South American countries.

- Conectel Telecomunicaciones S.A., a subsidiary of Acme Paging LP, holds a paging license (**SAP** license) issued by the Secretaria de

¹⁰ See File Nos. **SCL-92-005(M)-2/ITC-95-394** (TPC-5); **SCL-LIC-98-002** (China-US); **SCL-89-004** (Guam-Philippines); **SCL-LIC-19981117-00025** (Japan-US).

¹¹ See 7 FCC Rcd 63 (1991), 8 FCC Rcd 4706 (1993), and 11 FCC Rcd 11306 (1996).

Comunicaciones to operate on the frequencies **931.2375 MHz** and **931.4875 MHz** in Argentina.

- Conectel Telecomunicaciones S.A., a subsidiary of Acme Paging LP, holds a data/text transmission license (TXDAT license) issued by the Secretaria de Comunicaciones to operate **on** the frequency **481.2875 MHz** in Argentina.
- Radiofon de Columbia Ltda., a subsidiary of Acme Paging LP, holds a nationwide paging license issued by the Ministry of Communications to operate on the frequency **931.8875 MHz** in Colombia (Concession No. **6896**).
- Maxtel S.A., a subsidiary of Acme Paging LP, holds a nationwide paging license issued by the Ministry of Communications to **operate** on the frequency **445.525 MHz** in Colombia (Concession No. **7489**).
- Promptel Comunicações S/A holds a nationwide restricted Special Paging Service (SER) license issued by ANATEL, the regulatory body responsible for issuing communications licenses, to operate in the **931 MHz** frequency band in Brazil.
- Alfa Radiochamada S/A holds a Special Paging Service (SER) license issued by ANATEL, the regulatory body responsible for issuing communications licenses, to operate in the **931 MHz** frequency band in the metropolitan **areas** of São Paulo City, Brazil; Rio de Janeiro City, Brazil; Belo Horizonte, Brazil; Brasília, Brazil; Porto Alegre, Brazil; Curitiba, Brazil; Salvador, Brazil; Recife, Brazil; and Fortaleza, Brazil.
- Peigim Comunicações e Serviços Ltda holds a Special Paging Service (SER) license issued by ANATEL, the regulatory body responsible for issuing communications licenses, to operate in the **931 MHz** frequency band in the metropolitan areas of São Paulo Capital, Brazil.

Acme Paging LP owns approximately **85%** of the outstanding equity of Universal Network Technology S/A, a Brazilian entity. Universal Network Technology S/A does not hold any of its own licenses in Brazil, but has signed agreements with both Coopernet and ACSP pursuant to which Universal Network Technology renders services to end-users through the licenses held by Coopernet and ACSP.

- Coopernet, a data transmission national cooperative (non-for-profit organization), holds a Private Mobile Limited Service (**SLMP**) license issued by ANATEL, the regulatory body responsible for issuing communications licenses, to operate in the **896 – 901 MHz/935 – 940**

MHz frequency bands in the metropolitan area of Silo Paulo, Brazil; Rio de Janeiro, Brazil; and Curitiba, Brazil.

- ACSP, a Silo Paulo Commercial Association (non-for-profit organization), holds a Private Mobile Limited Service (SLMP) license issued by ANATEL, the regulatory body responsible for issuing communications licenses, to operate in the 896 – 901 MHz/935 – 940 MHz frequency bands in the metropolitan area of Silo Paulo, Brazil.

Allied and Startec certify to the information in this paragraph.

- (j) Allied seeks authority for PCI to continue to provide international telecommunications services to all of the countries for which it is currently authorized (which includes all of the countries in which Startec has a foreign affiliate). (A current list of Startec's foreign affiliations is provided **as** Attachment B to this application.)

As noted above, Allied is not a foreign carrier, and its only affiliations with foreign carriers will be those of the reorganized Startec and PCI (**see** Attachment B), **as** well **as** those disclosed in section (i) above.

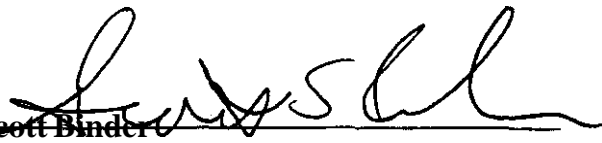
Allied and Startec certify to this information.

- (k) All of the countries in which Startec and Allied control foreign carriers are Members of the World Trade Organization, **as** set forth in 47 C.F.R. § 63.18(k)(1).
- (l) Each of Startec's and Allied's foreign affiliates lacks 50 percent market share in the international transport and the local access markets on the foreign end of the route, **as** set forth in 47 C.F.R. § 63.10(a)(3). They therefore qualify for non-dominant treatment on all international routes.
- (m) Each of Startec's and Allied's foreign affiliates lacks 50 percent market share in the international transport and the local access markets on the foreign end of the route, **as** set forth in 47 C.F.R. § 63.10(a)(3). They therefore qualify for non-dominant classification on all international routes.
- (n) Neither Allied nor any of its affiliates has agreed to accept special concessions directly or indirectly from any foreign carrier with respect to any **U.S.** international route where the foreign carrier possesses market power on the foreign end of the route and will not enter into such agreements in the future.
- (o) Allied certifies that to the best of its knowledge no party to this application is subject to a denial of federal benefits pursuant to section 5301 of the Anti-Drug Abuse Act of 1988.

- (p) The applicants state that this application qualifies for streamlined processing pursuant to sections 1.767(k) and 63.12 of the Commission's rules, 47 C.F.R. §§ 1.767(k), 63.12. Allied has no affiliations with foreign carriers that possess market power in their destination markets, and, **as** the Commission has determined previously, Startec's foreign carrier affiliates also lack market power in their respective destination markets, **as** set forth in section **63.12(c)(1)(i)-(iii)** of the Commission's rules, **47 C.F.R. § 63.12(c)(1)(i)-(iii)**.


Respectfully submitted,

ALLIED CAPITAL CORPORATION


Scott Binder

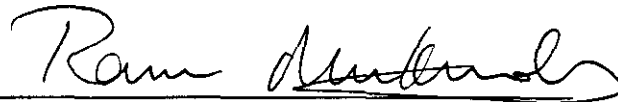
Managing Director

STARTEC GLOBAL COMMUNICATIONS CORPORATION


Ram Mukunda

Ram Mukunda
President, CEO, Treasurer

PCI COMMUNICATIONS, INC.


Ram Mukunda

Ram Mukunda
President

Dated: September 23, 2002

Attachment A

TRANSFER OF CONTROL OF BLANKET DOMESTIC SECTION 214 AUTHORITY

Additional Information Required by Section 63.04(a)(6)-(12)

(6) *Description of the Transaction.* Under the terms of the Debtors' Joint Plan of Reorganization, **as** amended ("the Plan")¹ filed with the Bankruptcy Court on September 11, 2002, Startec Global Communications Corporation ("Startec") will be reorganized **as** a new Delaware corporation, with the PCI Communications, Inc. ("PCI") continuing to be a wholly owned subsidiary of Startec. PCI will continue providing interstate domestic services and will hold the licenses and authorizations required for those services (including the blanket domestic section 214 authority granted under section 63.01 of the Commission's rules, 47 C.F.R. § 63.01).

As a wholly owned subsidiary of the reorganized Startec, PCI will be controlled indirectly by Allied Capital Corporation ("Allied"), a publicly owned Maryland corporation that provides private investment capital (in the form of both debt and equity securities) to private and undervalued public companies. Allied will own 90% (or 72% when fully diluted) of the new shares of Startec common stock, **as well as** 100% of its voting new preferred stock². The new preferred stock will also have the right to vote separately on certain corporate actions, including the creation of new classes of preferred stock or changes in the preferred stock's rights, mergers or consolidations, the sale of all or substantially all of Startec's assets, and liquidation or dissolution. With its substantial majority of common stock and its 100% interest in the reorganized Startec's preferred stock, Allied also will be able to control the outcome of actions requiring shareholder approval, including the election of directors. Furthermore, because Allied will be able to appoint a majority of the directors of the reorganized Startec, it will also control the management of all of Startec's subsidiaries, including PCI.

(7) *Description of Domestic Services by Geographic Area.* PCI offers domestic long distance and Internet access services to residential and business customers in Guam and the Commonwealth of the Northern Mariana Islands. Through a combination of owned and leased telecommunications transmission facilities, PCI provides its customers with domestic long distance service to all U.S. destinations.

(8) *Qualification for Streamlined Processing.* Since Allied, the transferee, is not a telecommunications provider, the application for transfer of control qualifies for streamlined treatment pursuant to Section 63.03(b)(ii) of the Commission's rules, § 63.03(b)(ii).

¹ A copy of the Plan is attached hereto. The Plan must be approved by the creditors of Startec, Startec Operating, and Startec Licensing.

² If the general unsecured creditors and the holders of pre-petition notes do not vote in favor of the plan, all or a part of the 7.5% originally allocated to them will be shared, instead, by Allied and **NTFC**. Thus, under either alternative, Allied will hold at least a 90% controlling interest in the reorganized Startec.

(9) ***Other Applications Related to the Transaction.*** On behalf of itself and its wholly owned subsidiaries ~~Startec~~ Global Operating Company and Startec Global Licensing Company, each a debtor-in-possession, Startec (together with Allied) is filing a companion application for the assignment of the debtors' FCC authorizations to the reorganized entities, **as** well **as** for the transfer of control to Allied of the new entities, together with their domestic and international section **214** authorizations and their minority interests in certain cable landing licenses.

(10) ***Special Circumstances.*** Approval of the proposed transaction is central to the emergence of Startec from bankruptcy and, thus, to the ability of Startec and each of its subsidiaries to continue serving their customers. This also comports with the Commission's goal of "accommodat[ing] the policies of federal bankruptcy law with those of the Communications Act."³ For this reason, the applicants have requested streamlined processing of the application and respectfully ask that the Commission approve it **as** soon **as** possible.

(11) ***Waiver Requests.*** Startec and Allied have not filed any waiver requests with respect to the proposed transaction.

(12) ***Public Interest Statement.*** Startec believes that the Commission's approval of the transfer of control required under the Plan, and **as** set forth in the present application, will give Startec and PCI the best opportunity to continue providing domestic services to a growing customer base in the United States and its territories. Addressing the needs of select ethnic and linguistic communities, in particular, by providing long distance, Internet access, and data services, Startec and PCI play a vital role in an important niche market. For these reasons, the applicants respectfully submit that approval of this application is consistent with the public interest, convenience, and necessity, **as** required by section **63.18** of the Commission's rules, **47 C.F.R. §63.18**. Additionally, given the need to secure the Commission's approval of this application prior to consummation of the Plan (once approved), the applicants request that the Commission act **as** expeditiously **as** possible in reviewing and approving the transfer of control requested herein.

³ *LaRose v. FCC*, 494 F.2d 1145, 1146 (D.C. Cir. 1974).

Attachment B

Foreign Affiliations of the Reorganized Startec and Its Subsidiaries

<u>Company</u>	<u>License(s) Held</u>
Startec Global Communications U.K. Ltd. (wholly owned Startec subsidiary)	Authorized to offer services in/through 1. (U.K.) International Facilities License 2. (Ireland) General Telecommunications License 3. (Austria) License for the provision of voice telephone by self-operated telecommunications network 4. (Australia) License not required 5. (New Zealand) Registered as an operator under the Telecommunications (International Services) Regulations 1994
Startec Global communications (Switzerland) GmbH	Registered for the Supply of Telecommunications Services
Phone Systems & Network, S.A. (92% ownership interest)	Voice Telephony License (Section 34.1 of Post and Telecommunications Code)
Startec Global Communications GmbH (Germany)	Class 4 (Nationwide) License
Startec Global Communications Company (Canada) (wholly owned indirect Startec subsidiary)	Class A License -- Section 16.3
Vancouver Telephone Company Limited (Canada) (wholly owned indirect Startec subsidiary)	Class A License -- Section 16.3

With the exception of Phone Systems & Network, S.A., and Startec Global Communications GmbH, the subsidiaries listed above were created by Startec within the past four years for the purpose of offering telecommunications services in the specified countries. None of these

entities is dominant in the foreign markets they serve, as defined by section 63.10 of the Commission's rules, 47 C.F.R. §63.10.

ATTACHMENT A

IN THE UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF MARYLAND
Greenbelt Division

In re:)	Chapter 11
)	
Startec Global Communications Corporation,)	Case No. 01-25013 (DK)
Startec Global Operating Company, and)	Case No. 01-25009 (DK)
Startec Global Licensing Company,)	Case No. 01-25010 (DK)
)	
Debtors.)	Jointly Administered Under
)	Case No. 01-25013 (DK)

DEBTORS' JOINT PLAN OF REORGANIZATION, AS AMENDED

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EXHIBIT E (Schedule of Assumed Contracts)
EXHIBIT F (Initial Board of Reorganized Holdings)

Pursuant to chapter 11 of title 11 of the United States Code, 11 U.S.C. §§ 1101 et seq., Startec Global Communications Corporation, Startec Global Operating Company, and Startec Global Licensing Company, each a Delaware corporation, debtors and debtors in possession in the above-captioned and numbered jointly-administered chapter 11 cases, hereby respectfully propose the following Debtors' Joint Plan of Reorganization, as Amended, dated September 11, 2002:

ARTICLE ONE
DEFINITIONS AND INTERPRETATIONS

1.1. Definitions. Unless the context requires otherwise, the following words and phrases shall have the meanings set forth below:

1.1.1. **Administrative Expense:** A right to payment from the Consolidated Debtors constituting a cost or expense of administration of the Chapter 11 Cases of the Consolidated Debtors arising on or after the Filing Date and before the Effective Date under section 503(b) of the Bankruptcy Code that is entitled to priority under section 507(a)(1) of the Bankruptcy Code, including any actual and necessary costs and expenses of preserving one or more of the Consolidated Debtors' Estates, any actual and necessary costs and expenses of operating one or more of the Consolidated Debtors' businesses, and any fees or charges assessed against one or more of the Estates of the Consolidated Debtors under section 1930 of chapter 123 of title 28 of the United States Code.

1.1.2. **Allied:** Allied Capital Corporation, a Maryland corporation.

1.1.3. **Allied Other Secured Claim:** The Claim of Allied arising from that certain promissory note dated April 13, 2001 in the principal amount of \$10,000,000, secured by a Lien on all cash and accounts of the Subsidiary Debtors.

1.1.4. **Allied Releasees:** Allied and its current and former officers, directors, shareholders, employees, consultants, attorneys and other representatives (solely in their capacity as such).

1.1.5. **Allied Unsecured Claim:** The Claim of Allied arising from that certain promissory note dated April 13, 2001 in the principal amount of \$10,000,000, not secured by a Lien on any property of any of the Debtors.

1.1.6. **Allied Tranche A Claim:** The Claim of Allied under the "Tranche A" debtor-in-possession loan in the principal amount of \$16,315,000 made to the Debtors pursuant to, and as defined in, the DIP Facility Agreement.

1.1.7. **Allied Tranche B Claim:** The Claim of Allied under the "Tranche B" debtor-in-possession loan in the principal amount of \$7,500,000 made to the Debtors pursuant to, and as defined in, the DIP Facility Agreement.

1.1.8. **Allowance Date:** (a) With respect to a Claim or Administrative Expense Allowed pursuant to Final Order, the date on which such order becomes a Final Order; (b) with

respect to a Claim or Administrative Expense Allowed under this Plan, the Effective Date; (c) with respect to a Claim or Administrative Expense Allowed by agreement of the Debtors in accordance with Section 11.2 of this Plan, the date fixed in the agreement as the Allowance Date (or if no such date is specified, the date of the agreement); and (d) with respect to a Claim **or** Administrative Expense Allowed because no objection is filed thereto by the Claims Objection Deadline **or** other applicable deadline, the first Business Day after such deadline.

1.1.9. Allowed: With respect to Pre-Petition Claims, (a) any Claim against a Debtor for which a Proof of Claim has been Filed by the Bar Date, (b) any Claim that has been or is hereafter listed in the Schedules **as** neither disputed, contingent nor unliquidated and for which the claim amount has not been identified **as** “unknown”, and for which no Proof of Claim has been Filed by the Bar Date, **or** (c) any Claim allowed pursuant to this Plan, by agreement of the Debtors in accordance with Section 11.2 of this Plan, or by Final Order of the Bankruptcy Court; provided, however, that with respect to any Claim described in clauses (a) or (b) above, such Claim shall be Allowed only if (i) no objection to the allowance thereof has been interposed by the Claims Objection Deadline or within such other applicable period of time fixed by this Plan, the Bankruptcy Code, the Bankruptcy Rules or the Bankruptcy Court or (ii) such **an** objection has been interposed, but the objection has been withdrawn or the Claim shall have been allowed by a Final Order or by agreement of the Debtors in accordance with Section 11.2 of this Plan (but only if such allowance was not solely for the purpose of voting to accept or reject this Plan). With respect to Administrative Expenses, (a) any Professional Fee Claim allowed by Final Order of the Bankruptcy Court, **or** (b) any other Administrative Expense that is not disputed by the Debtors or is disputed by the Debtors and is allowed by agreement of the Debtors in accordance with Section 11.2 of this Plan or by Final Order of the Bankruptcy Court. Except as otherwise may be specified in this Plan **or** a Final Order of the Bankruptcy Court, **or as** otherwise required under applicable law with respect to an Administrative Expense, the amount of an Allowed Claim shall not include interest on such Claim accruing from and after the Filing Date.

1.1.10. Allowed Claim: A Claim against one of more of the Consolidated Debtors that has been Allowed.

1.1.11. Allowed...Claim: An Allowed Claim of the type described.

1.1.12. Alternative Plan: In the event that the Bankruptcy Court declines to substantively consolidate the Estate of Holdings with the Estates of the Subsidiary Debtors in the manner set forth in Section 9.9(a) or otherwise, or this Plan is not otherwise confirmed **as** to Holdings, this Plan **as** applied only to Operating and Licensing.

1.1.13. Applicable Rate: A fixed annual rate of interest to be determined by the Bankruptcy Court or otherwise agreed to by the Reorganized Debtors and the relevant Creditor.

1.1.14. Assets: Any and all real **or** personal property of any nature, Including any real estate, buildings, structures, improvements, privileges, rights, easements, leases, subleases, licenses, goods, materials, supplies, furniture, fixtures, equipment, work in process, accounts, chattel paper, cash, deposit accounts, reserves, deposits, contractual rights, intellectual property rights, claims, Causes of Action and any other general intangibles of a Consolidated

Debtor, as the case may be, of any nature whatsoever, Including all property of the Estates of the Consolidated Debtors pursuant to section **541** of the Bankruptcy Code.

1.1.15. Avaya: Avaya Canada Corp., a corporation organized under the laws of Canada.

1.1.16. Avaya Claim: The Claim in the amount of CAD **\$61,186.10** of Avaya arising from that certain Master Procurement Agreement by and between Avaya and Holdings, dated February **14,2001**, the schedules thereto and the purchase orders executed in connection therewith.

1.1.17. Avaya Equipment: The PBX equipment owned by Holdings located in the State of Maryland and Vancouver, Canada, that secures the Avaya Secured Claim.

1.1.18. Avaya Secured Claim: That portion of the Avaya Claim that is secured by a Lien on the Avaya Equipment and that is a Secured Claim, as provided in Section **6.2.4** of this Plan.

1.1.19. Avoidance Action: An action of the Consolidated Debtors pursuant to sections **544, 545, 547, 548, 549, 550, or 553** of the Bankruptcy Code.

1.1.20. Ballot: The form of ballot accompanying the Disclosure Statement provided to each Holder of a Claim entitled to accept or reject this Plan.

1.1.21. Bankruptcy Code: The Bankruptcy Reform Act of **1978**, as amended and codified in title 11 of the United States Code, **11 U.S.C. §§ 101 et seq.**, and applicable portions of titles **18** and **28** of the United States Code.

1.1.22. Bankruptcy Court: The division of the United States Bankruptcy Court for the District of Maryland (Greenbelt Division) having jurisdiction over the Chapter 11 Cases or any other court having jurisdiction over the Chapter 11 Cases or the applicable proceedings therein.

1.1.23. Bankruptcy Rules: The Federal Rules of Bankruptcy Procedure, as amended from time to time, as applicable to the Chapter 11 Cases, promulgated under **28 U.S.C. § 2075** and as supplemented by the Local Rules of the Bankruptcy Court.

1.1.24. Bar Date: With respect to all Creditors other than Governmental Units, (a) April **8,2002**, the date fixed by order of the Bankruptcy Court by which any Proof of Claim must be Filed, (b) September **3,2002** for those Creditors as to whom the Bar Date has been extended to such date pursuant to the Special Bar Date Order, or (c) such other date by which a Proof of Claim must be Filed as fixed by Final Order of the Bankruptcy Court, the Bankruptcy Code, or the Bankruptcy Rules. With respect to Governmental Units, (a) June **12,2002** or (b) September **3,2002** for the Governmental Units as to whom the Bar Date has been extended to such date pursuant to the Special Bar Date Order, or (c) such other date by which a Proof of Claim must be filed as fixed by Final Order of the Bankruptcy Court, the Bankruptcy Code, or the Bankruptcy Rules.

1.1.25. **Board**: The board of directors of a Debtor or a Reorganized Debtor, as applicable.

1.1.26. **By-Laws**: The By-Laws of a Debtor in effect as of the Filing Date.

1.1.27. **Business Day**: Any day, other than a Saturday, Sunday or legal holiday (as defined in Bankruptcy Rule 9006(a)).

1.1.28. **Cash**: United States currency, a certified check, a cashier's check or a wire transfer of good funds from any source, or a check drawn on a domestic bank by a Debtor, a Reorganized Debtor or other Entity making any distribution under this Plan.

1.1.29. **Catch-up Distribution Date**: The six (6) month anniversary of the Effective Date and, if necessary, each six (6) month anniversary thereafter.

1.1.30. **Cause of Action**: Any action, cause of action, suit, account, controversy, agreement, promise, right to legal remedies, right to equitable remedies, right to payment, or claim, whether known or unknown, reduced to judgment, not reduced to judgment, liquidated, unliquidated, fixed, contingent, matured, unmatured, disputed, undisputed, secured, unsecured and whether asserted or assertable directly or derivatively, in law, equity or otherwise.

1.1.31. **Chapter 11 Cases**: The cases under chapter 11 of the Bankruptcy Code, commenced by Holdings, Operating and Licensing in the Bankruptcy Court on December 14, 2001.

1.1.32. **CIT**: CIT Communications Finance Corporation, a Delaware corporation.

1.1.33. **CIT Claim**: The Claim in the amount of \$643,931.01 by CIT arising from its pre-petition capital equipment leases with Operating.

1.1.34. **CIT Equipment**: The Definity G3R manufactured by Lucent Technologies, Inc. and located in the State of Maryland that secures the CIT Claim.

1.1.35. **CIT Secured Claim**: That portion of the CIT Claim that is secured by a Lien on the CIT Equipment and that is a Secured Claim as provided in Section 6.2.6 of the Plan.

1.1.36. **Claim**: A claim (as defined in section 101(5) of the Bankruptcy Code) against any Consolidated Debtor, whether or not asserted, Including: (a) any right to payment from a Consolidated Debtor whether or not such right is reduced to judgment, liquidated, unliquidated, contingent, matured, unmatured, disputed, undisputed, legal, equitable, secured or unsecured; or (b) any right to an equitable remedy for breach of performance if such performance gives rise to a right of payment from a Consolidated Debtor, whether or not such right to an equitable remedy is reduced to judgment, fixed, contingent, matured, unmatured, disputed, undisputed, secured or unsecured.

1.1.37. **Claims Objection Deadline**: As to any Pre-Petition Claim, the date that is (90) days after the Effective Date or ninety (90) days after the Filing of the Proof of Claim for

such Claim, whichever is later, or such other date determined by the Bankruptcy Court by Final Order.

1.1.38. Class: A class of Claims or Equity Interests designated pursuant to this Plan.

1.1.39. Committee Avoidance Action: The action Filed against NTFC and Allied by the Creditors' Committee on July 30, 2002, as it may be amended, styled The Official Committee of Unsecured Creditors of Startec Global Comm., et. al. v. NTFC Cautal Cornoration and Allied Capital Corporation, Adv. Pro. No. 02-1261.

1.1.40. Committee Releasees: Each member, consultant, attorney, accountant, financial advisor or other representative of the Creditors' Committee, solely in their capacity as such.

1.1.41. Confirmation: The entry of the Confirmation Order, subject to all conditions specified in Section 13.1 of this Plan having been satisfied or waived by the Debtors.

1.1.42. Confirmation Date: The date upon which the Confirmation Order is entered by the Bankruptcy Court on its docket, within the meaning of Bankruptcy Rules 5003 and 9021.

1.1.43. Confirmation Hearing: The hearing held by the Bankruptcy Court pursuant to section 1128(a) of the Bankruptcy Code with respect to the confirmation of this Plan pursuant to section 1129 of the Bankruptcy Code.

1.1.44. Confirmation Order: The order of the Bankruptcy Court confirming this Plan pursuant to section 1129 of the Bankruptcy Code.

1.1.45. Consolidated Debtors:

- (a) If the Consolidated Plan is confirmed, the Debtors; **or**
- (b) If the Alternative Plan is confirmed, the Subsidiary Debtors only.

1.1.46. Consolidated Plan: In the event that the Bankruptcy Court substantively consolidates the Estate of Holdings with the Estates of the Subsidiary Debtors in the manner set forth in Section 9.9(a) or otherwise, or this Plan is otherwise confirmed as to all Debtors, this Plan as applied to Holdings, Operating and Licensing.

1.1.47. Consummation: The performance of the acts necessary for the effectiveness of this Plan as of the Effective Date.

1.1.48. Convenience Class: Each Holder of a General Unsecured Claims (a) whose General Unsecured Claims, in the aggregate for each such Holder, are Allowed in an amount not in excess of \$20,000, or (b) who elects, on a Ballot timely submitted to accept or reject this Plan, to reduce its General Unsecured Claims, in the aggregate for each such Holder, to \$20,000 and to exchange and release such reduced Allowed Claim for an Allowed

Convenience Class Claim of the same reduced amount; provided, however, the Convenience Class shall not include any of the Holders of Claims covered by clause (b) above if the inclusion of such Holders of Claims in the Convenience Class would cause the aggregate distribution to the Convenience Class under Section 6.3.3 of this Plan to (or otherwise such aggregate distribution would) exceed \$300,000, or such higher aggregate distribution amount as the Consolidated Debtors elect.

1.1.49. Creditor: Any Entity that is a Holder of a Pre-Petition Claim against a Debtor.

1.1.50. Creditors' Committee: The official committee of unsecured Creditors appointed in these Chapter 11 Cases pursuant to section 1102(a) of the Bankruptcy Code on January 10, 2002, as the same may be constituted from time to time.

1.1.51. Debtor Releasees: The Consolidated Debtors' current and former officers, directors, shareholders, employees, consultants, attorney, accountants, financial advisors and other representatives (solely in their capacity as such), but excluding any former officers, directors, shareholders, employees, consultants, attorney, accountants, financial advisors and other representatives as to whom any of the Debtors were as of the Filing Date, or are as of the Effective Date, on the opposite side in ongoing litigation (either as plaintiff or defendant) Including litigation relating to any Proof of Claim or objection to a Proof of Claim filed in Bankruptcy Court not resolved pursuant to this Plan.

1.1.52. Debtors: Holdings, Operating and Licensing.

1.1.53. DIP Facility Agreement: The postpetition loan facility agreement, dated as of December 17, 2001 between the Debtors and Allied, providing debtor-in-possession financing in the aggregate principal amount of \$23,815,000, as approved by the Final DIP Order.

1.1.54. Disallowed Claim: A Pre-Petition Claim, or any portion thereof, that (a) has been disallowed by a Final Order of the Bankruptcy Court (or by agreement of the Holder of the Claim to withdraw or treat such Claim or any portion thereof as disallowed), or (b) has not been Scheduled by the Debtor or is Scheduled at zero or as contingent, disputed or unliquidated or with the Claim amount identified as "unknown" and as to which the Bar Date has passed but no Proof of Claim has been filed or deemed timely filed with the Bankruptcy Court pursuant to either the Bankruptcy Code or any Final Order of the Bankruptcy Court.

1.1.55. Disclosure Statement: The Debtors' Disclosure Statement for this Plan, as amended, supplemented, or modified from time to time that is prepared and distributed in accordance with the Bankruptcy Code and Bankruptcy Rules and other applicable law.

1.1.56. Disputed . . . Claim: A Pre-Petition Claim, or any portion thereof, of the type described that is neither an Allowed Claim nor a Disallowed Claim.

1.1.57. Distribution Record Date: November 22, 2002.

1.1.58. Effective Date: The first Business Day on or after the Confirmation Date on which (a) no stay of the Confirmation Order is in effect (which date may be before the

expiration of the IO-day period specified in Bankruptcy Rule 3020(e) if so requested by the Reorganized Debtors and ordered by the Bankruptcy Court); and (b) all conditions to the effectiveness of this Plan and Consummation specified in Section **13.2** hereof have been satisfied or waived, or such later date as the Debtors may determine prior to the entry of the Confirmation Order.

1.1.59. Eligible Employees: Those employees of the Reorganized Debtors eligible to receive Employee Incentive Options and/or to participate in the Employee Incentive Plan, as determined by the Board of Reorganized Holdings.

1.1.60. Employee Incentive Options: Options to purchase up to **5,250,000** shares of New Common Stock, which options shall be issued to Eligible Employees of the Reorganized Debtors pursuant to the terms and conditions of the Employee Incentive Plan, **as** follows: **3,500,000** of the Employee Incentive Options shall be exercisable at **\$0.40** per share, and **1,750,000** of the Employee Incentive Options shall be exercisable at **\$0.79** per share. Subject to applicable law, the options will be granted as soon after the Effective Date as reasonably practicable. One third of the total number of options that are issuable will vest on the date of grant; another third will vest on the first anniversary of the Effective Date; the final third will vest on the second anniversary of the Effective Date. The exercise price for all options that vest before the second anniversary of the Effective Date will be **\$0.40** per share; the exercise price for options vesting on the second anniversary of the Effective Date will be **\$0.79** per share.

1.1.61. Employee Incentive Plan: The equity incentive plan, which will be established on (or as soon thereafter **as** is reasonably practicable) the Effective Date for Eligible Employees of the Reorganized Debtors pursuant to which, among other things, such Eligible Employees will be issued the Employee Incentive Options.

1.1.62. Entity or Entities: One or more entities as defined in section 101(15) of the Bankruptcy Code.

1.1.63. Equity Interest: Any equity interest in a Debtor, including shares of common stock and rights, options, warrants, calls, subscriptions or other similar rights **or** agreements, commitments or outstanding securities obligating a Debtor to issue, transfer or sell any shares of capital stock of a Debtor.

1.1.64. Estate: The estate of each Debtor established pursuant **to** section **541** of the Bankruptcy Code upon the commencement of its respective Chapter **11** Case.

1.1.65. File or Filed: File **or** filed with the Bankruptcy Court in the Chapter **11** Cases.

1.1.66. Filing Date: December **14,2001**, which was the date on which each of the Debtors Filed a voluntary petition for relief commencing the Chapter **11** Cases.

1.1.67. Final Decree: The decree contemplated under Bankruptcy Rule **3022**.

1.1.68. Final DIP Order: The Final Order Pursuant to Section **364** of the Bankruptcy Code and Bankruptcy Rule **4001** Authorizing Postpetition Financing, Granting

Secured, Superpriority Claims and Liens, Authorizing and Approving the Use of Cash Collateral and Granting Adequate Protection and Other Relief, entered by the Bankruptcy Court in the Chapter 11 Cases on April 1, 2002, as it has been or may be amended from time to time.

1.1.69. Final Order: An order, ruling or judgment of the Bankruptcy Court or any other court **of** competent jurisdiction as to which the time to appeal, petition for certiorari, or move for reargument or rehearing has expired and as to which no appeal, petition for certiorari, **or** other proceedings for reargument or rehearing shall then be pending, or as to which any right to appeal, petition for certiorari, reargue, or rehear shall have been waived in writing in form and substance satisfactory to the Debtors or, on and after the Effective Date, the Reorganized Debtors or, in the event that an appeal, writ of certiorari, or reargument or rehearing thereof has been sought, such order **of** the Bankruptcy Court or other court of competent jurisdiction shall have been upheld or affirmed by the highest court to which such order was appealed, **or** certiorari, reargument or rehearing shall have been denied and the time to take any further appeal, petition for certiorari or move for reargument or rehearing shall have expired; provided, however, the possibility that a motion under Rule 59 or Rule 60 of the Federal Rules of Civil Procedure, **or** any analogous rule under the Bankruptcy Rules, may be Filed with respect to such order shall not cause such order not to be a Final Order.

1.1.70. GE Capital: GE Capital Corporation, a Delaware corporation.

1.1.71. GE Capital Claim: Those Claims in the aggregate amount of \$641,736.46 by GE Capital arising from its pre-petition capital equipment leases with Operating.

1.1.72. GE Capital Equipment: The calling card platform and ascend telecommunication equipment, located in the States of California, Florida, Maryland and New York, that secures the GE Capital Secured Claim.

1.1.73. GE Capital Secured Claim: That portion of the GE Capital Claim that is secured by a Lien on the GE Capital Equipment and that is a Secured Claim **as** provided in Section 6.2.5 of this Plan

1.1.74. General Unsecured Claim: Any Claim against any of the Consolidated Debtors that is not an Administrative Expense, a Priority Tax Claim, an Other Priority Claim, the NTFC Claim, the Allied Tranche A Claim, the Allied Tranche B Claim, the Allied Other Secured Claim, the Avaya Claim, the CIT Claim, the GE Capital Claim, the Heller Claim, a Miscellaneous Secured Claim, the Allied Unsecured Claim, a Pre-Petition Note Claim, an Intercompany Claim, or a Subordinated Claim.

1.1.75. Governmental Unit: A government unit as defined in section 101(27) of the Bankruptcy Code.

1.1.76. Heller: GE Capital, in its capacity as successor in interest to Heller Financial Leasing, Inc. and UniCapital Corporation.

1.1.77. Heller Claim: The Claim in the amount of \$1,508,099.11 by Heller arising from its pre-petition capital equipment leases with Operating.

1.1.78. Heller Equipment: The equipment described in pre-petition capital equipment leases between Heller and Operating securing the Heller Secured Claim.

1.1.79. Heller Secured Claim: That portion of the Heller Claim that is secured by a Lien on the Heller Equipment and that is a Secured Claim as provided in Section 6.2.5 of this Plan.

1.1.80. Holder or Holders: One or more Entities holding a right to payment of an Administrative Expense, a Claim or Equity Interest.

1.1.81. Holdings: Startec Global Communications Corporation, a Delaware corporation.

1.1.82. Impaired: With respect to a Claim, Interest, Class of Claims or Class of Interests, a Claim, Interest, Class of Claims or Class of Interests that is impaired within the meaning of section 1124 of the Bankruptcy Code.

1.1.83. Including: Including, but not limited to.

1.1.84. Indenture: The Indenture, dated **as** of May 21, 1998, **as** amended, between Holdings, **as** issuer and the Indenture Trustee pursuant to which the Pre-Petition Notes were issued.

1.1.85. Indenture Trustee: First Union National Bank, **as** indenture trustee under the Indenture, or its duly appointed successor (if any).

1.1.86. Instrument: Any share of stock, security, promissory note or other “Instrument” within the meaning of that term as defined in section 9-102(47) of the Uniform Commercial Code.

1.1.87. Intercompany Claims:

- (a) If the Consolidated Plan is confirmed, all Intercompany Holdings Claims and Intercompany Subsidiary Claim, or
- (b) If the Alternative Plan is confirmed, all Intercompany Subsidiary Claims and all Intercompany Holdings Claims covered by clause (a) of Section 1.1.88 of this Plan, but not any Intercompany Holdings Claims covered by clause (b) of such Section.

1.1.88. Intercompany Holdings Claims: All Claims (a) held by Holdings against any Subsidiary Debtor, including all Claims arising **as** a result of advances made by Holdings to any Subsidiary Debtor, or (b) held by any Subsidiary Debtor against Holdings, including all Claims arising as a result of advances made by any Subsidiary Debtor to Holdings.

1.1.89. Intercompany Subsidiary Claims: All Claims held by a Subsidiary Debtor against another Subsidiary Debtor, including Claims arising as a result of advances made by a Subsidiary Debtor to another Subsidiary Debtor.

1.1.90. Lien or Liens: Any charge against or interest in property to secure payment or performance of a claim, debt, or obligation.

1.1.91. Licensing: Startec Global Licensing Company, a Delaware corporation.

1.1.92. Miscellaneous Secured Claim: Any Claim, other than the Allied Tranche A Claim, the Allied Tranche B Claim, the Allied Other Secured Claim, the NTFC Claim, the Avaya Secured Claim, the CIT Secured Claim, the GE Capital Secured Claim, or the Heller Secured Claim, that is a Secured Claim.

1.1.93. Modified Allied Secured Note: The secured promissory note issued to Allied under the DIP Facility Agreement, modified to have the principal amount of \$7,500,000, as such amount may be increased pursuant to Section 9.2 or reduced pursuant to Section 9.9(c) of this Plan, payable to Allied by the Reorganized Debtors and, to the extent they are not prohibited under applicable insolvency law from becoming liable under such notes, the Non-Debtor Subsidiaries, jointly and severally, which note shall be subject to the Post-Reorganization Credit Agreement and shall have the terms set forth in Exhibit A hereto.

1.1.94. Modified NTFC Junior Note: A promissory note in the principal amount of \$8,000,000 payable to NTFC by the Reorganized Debtors and, to the extent they **are** not prohibited under applicable insolvency law from becoming liable under such notes, the Non-Debtor Subsidiaries, which note shall be subject to the Post-Reorganization Credit Agreement and shall have the terms set forth in Exhibit A hereto.

1.1.95. Modified NTFC Secured Note: A secured promissory note in the principal amount of \$27,500,000, payable to NTFC by the Reorganized Debtors and, to the extent they are not prohibited under applicable insolvency law from becoming liable under such notes, the Non-Debtor Subsidiaries, which note shall be subject to the Post-Reorganization Credit Agreement and shall have the terms set forth in Exhibit A hereto.

1.1.96. Mukunda Claim: The Pre-Petition Claim of Ram Mukunda, **as** reflected in the Proof of Claim Filed April 8, 2002 against the Consolidated Debtors.

1.1.97. Mukunda Note: That certain promissory note dated October 8, 1998, as amended, in the principal amount of \$1,062,016.88, between Ram Mukunda, as maker, and Operating, as payee.

1.1.98. Mukunda Note and Claim Agreement: An agreement to be executed by and between the Reorganized Debtors and Ram Mukunda incorporating a settlement and compromise under Bankruptcy Rule 9019 and section 1123(b)(3)(A) of the Bankruptcy Code and providing for, each as of the Effective Date, (a) the immediate release by Reorganized Operating and the other Reorganized Debtors of any Claims against Ram Mukunda relating to or arising under the Mukunda Note; (b) the immediate release by **Ram** Mukunda of the Mukunda Claim; and (c) the execution by Ram Mukunda and Reorganized Operating of the Senior Executive Employment Agreement for Mr. Mukunda.

1.1.99. New Common Stock: **50,000,000** shares of voting common stock of Reorganized Holdings, par value \$.001 per share, to be authorized by the Reorganized Holdings Certificate of Incorporation.

1.1.100. New Holdings: A Delaware corporation to be named “Startec Global Communications Holding Company,” which will be incorporated on or before the Effective Date if the Alternative Plan is confirmed.

1.1.101. New Preferred Stock: Six thousand three hundred (**6,300**) shares of voting preferred stock of Reorganized Holdings, par value \$.001 per share, with a liquidation preference of **\$1,000** per share (or such lesser number **as** may be issuable to Allied pursuant to Section 9.9(c)(6) of this Plan), to be authorized by the Reorganized Holdings Certificate of Incorporation and issued by Reorganized Holdings on or as soon as reasonably practicable after the Effective Date pursuant to this Plan.

1.1.102. New Subsidiary Certificates of Incorporation: The new certificates or articles of incorporation or formation or an amendment to the current certificates **or** articles for each of the Reorganized Debtors other than Reorganized Holdings.

1.1.103. New Subsidiary Stock: One thousand (**1,000**) shares of voting common stock of each of the Subsidiary Debtors, par value **\$0.01** per share, to be authorized by the New Subsidiary Certificates of Incorporation and issued by such Subsidiary Debtors, on **or as soon as** reasonably practicable after the Effective Date, to New Holdings if the Alternative Plan is confirmed.

1.1.104. New Warrant: A common stock purchase warrant granting to NTFC the right to purchase **1,750,000** shares of New Common Stock at an exercise price **of \$0.40** per share, as more fully provided in a warrant agreement substantially in the form attached hereto as Exhibit B.

1.1.105. Non-Debtor Subsidiary: Any corporation that is directly or indirectly wholly owned or controlled by a Debtor or Reorganized Debtor and which is not one of the Debtors.

1.1.106. NTFC: NTFC Capital Corporation, a Delaware corporation.

1.1.107. NTFC Claim: The Claim in the amount (as of the Filing Date) of **\$38,848,464.71** by NTFC arising from its pre-petition secured loan to Holdings, secured by Liens on all or substantially all Assets of Operating and Startec Global Communications UK LTD. and by a pledge by Holdings of the stock of Operating, pursuant to that certain Loan and Security, dated as of December **31,1998**, by and between NTFC and Startec Global Communications Corporation (Maryland), and all amendments thereto and related documents.

1.1.108. NTFC Releasees: NTFC and its current and former officers, directors, shareholders, employees, consultants, attorneys and other representatives (solely in their capacity as such).

1.1.109. Old Holdings By-Laws: The by-laws of Holdings in effect as of the Filing Date, with such amendments as are necessary to conform to Section 9.7 of the Plan.

1.1.110. Old Holdings Certificate of Incorporation: The certificate of incorporation of Holdings in effect as of the Filing Date.

1.1.111. Old Holdings Common Stock: The common stock of Holdings, par value \$.01 per share, issued and outstanding as of the Filing Date.

1.1.112. Old Holdings Equity Interest: Any Equity Interest evidenced by Old Holdings Common Stock and any other Equity Interest in Holdings.

1.1.113. Order: An order or judgment of the Bankruptcy Court as entered on the docket.

1.1.114. Operating: Startec Global Operating Company, a Delaware corporation.

1.1.115. Other Priority Claim: Any Claim against the Consolidated Debtors accorded priority in right of payment under section 507(a) of the Bankruptcy Code, other than a Priority Tax Claim or an Administrative Expense.

1.1.116. plan: This Plan of Reorganization, Including, as applicable, the Alternative Plan or the Consolidated Plan, together with all exhibits and schedules hereto, as it may be amended or modified from time to time in accordance with this Plan, the Bankruptcy Code and the Bankruptcy Rules.

1.1.117. Plan Documents: The documents (other than this Plan) and instruments to be issued, executed, delivered, assumed and/or performed in conjunction with Consummation of this Plan as of, or as soon as reasonably practicable after, the Effective Date, Including the Modified Allied Secured Note, the Modified NTFC Secured Note, the Modified NTFC Junior Note, the Post Reorganization Credit Agreements (Including all documents necessary to create, continue or perfect valid security interest thereunder), the Mukunda Note and Claim Agreement, the Senior Executive Employment Agreements, the New Warrant, the New Subsidiary Certificates of Incorporation, the Reorganized Holdings Certificate of Incorporation, the Reorganized Holdings By-Laws, and the Employee Incentive Plan.

1.1.118. Post-Reorganization Credit Agreement: An agreement governing the secured debt obligations represented by the Modified Allied Secured Note, the Modified NTFC Secured Note, and the Modified NTFC Junior Secured Note, which agreement shall contain the terms and conditions set forth in Exhibit A hereto and shall otherwise be in form and substance acceptable to the Reorganized Debtors, Allied and NTFC.

1.1.119. Pre-Petition Claim: A Claim arising before the Filing Date or a Claim of the kind specified in sections 502(g), 502(h) or 502(i) of the Bankruptcy Code.

1.1.120. Pre-Petition Note Claims: Any and all Claims of the Indenture Trustee and Holders of Pre-Petition Notes arising under or relating to the Indenture, the Pre-Petition

Notes or the transaction, agreements or instruments upon which the Pre-Petition Notes are based, Including any and all Claims asserted by the Indenture Trustee in the Proof of Claim in the amount of \$171,200,000.00, dated March 29,2002 **or** any amendment of replacement thereof.

1.1.121. Pre-Petition Notes: The 12% Senior Notes due 2008 that were issued by Holdings pursuant to the Indenture.

1.1.122. Priority Tax Claim: A Claim of a Governmental Unit against the Consolidated Debtors entitled to priority of payment under section 507(a)(8) of the Bankruptcy Code.

1.1.123. Professional: An Entity (a) employed by the Consolidated Debtors or the Creditors' Committee pursuant to a Final Order of the Bankruptcy Court in accordance with sections 327 and 1103 of the Bankruptcy Code and to be compensated for services rendered on or after the Filing Date and prior to the Effective Date, pursuant to sections 327,328,330 and 331 of the Bankruptcy Code, or (b) for which compensation and reimbursement has been sought before the Bankruptcy Court pursuant to section 503(b)(4) of the Bankruptcy Code.

1.1.124. Professional Fee Claim: Those fees and expenses claimed by Professionals in the Chapter 11 Cases of the Consolidated Debtors, pursuant to sections 327, 328,330,331 and/or 503(b) of the Bankruptcy Code.

1.1.125. Proof of Claim: A proof of claim Filed in any or all **of** the Chapter 11 Cases pursuant to section 501 of the Bankruptcy Code and/or any order of the Bankruptcy Court, together with supporting documents.

1.1.126. Pro Rata Share: Proportionately so that, with respect to an Allowed Claim in a particular Class, the ratio of (a) (i) the amount of property distributed on account of the Allowed Claim to (ii) the Allowed amount of such Claim is the same as the ratio **of** (b) the amount of property distributed on account of all Allowed Claims in the Class in which the particular Claim is included to (ii) the amount **of** all Claims (Including Disputed Claims, but not Including Disallowed Claims) in that Class.

1.1.127. Remaining Outstanding Percent: That percent of the Allowed Allied Tranche B Claim **or** the Allied Tranche A Claim, by which such Claim is reduced, through (i) the payment to Allied of Cash by (or through) Holdings, or (ii) the acquisition of Assets of Holdings by Allied, if the Alternative Plan is confirmed, **as** and under the conditions specified in Section 9.9(c) of this Plan.

1.1.128. Reorganized Debtors:

- (a) **If** the Consolidated Plan is confirmed, the Debtors from and after the Effective Date; or
- (b) **If** the Alternative Plan is confirmed, the Subsidiary Debtors and New Holdings from and after the Effective Date.

1.1.129. Reorganized Holdings: From and after the Effective Date,

(a) If the Consolidated Plan is confirmed, Holdings from and after the Effective Date.

(b) If the Alternative Plan is confirmed, New Holdings.

1.1.130. Reorganized Holdings By-Laws: The By-Laws of Reorganized Holdings.

1.1.131. Reorganized Holdings Certificate of Incorporation: The certificate of incorporation of Reorganized Holdings, substantially in the form attached hereto as Exhibit C.

1.1.132. Reorganized Operating: Operating from and after the Effective Date.

1.1.133. Satisfied Percent: One hundred percent (100%) minus the Remaining Outstanding Percent.

1.1.134. Schedule of Assumed Contracts: The schedule of executory contracts and unexpired leases, **as** it may be amended or supplemented by the Debtors, to be assumed by the Consolidated Debtors submitted in accordance with Section 8.1 of this Plan.

1.1.135. Scheduled With respect to a Claim, the Claim is listed on the Schedules.

1.1.136. Schedules: The schedules of assets and liabilities that the Debtors have Filed pursuant to section 521 of the Bankruptcy Code and the Bankruptcy Rules, **as** they may be amended and supplemented from time to time.

1.1.137. Secured Claim: (a) a Claim that is secured by a Lien on property in which the Estates have an interest, which Lien is valid, perfected and enforceable under applicable law or by reason of a Final Order, or that is (subject to Section 10.10(c) of this Plan) subject to setoff under section 553 of the Bankruptcy Code, to the extent of the value of the Creditor's interest in the Estates' interest in such property or to the extent of the amount subject to setoff, as applicable, as determined pursuant to section 506(a) of the Bankruptcy Code, or (b) a Claim Allowed under this Plan as a Secured Claim.

1.1.138. Senior Executive Employment Agreements: The employment agreements, effective on the Effective Date, between Reorganized Operating and Ram Mukunda and Prabhav V. Maniyar, which agreements shall supersede any prior employment agreements. The material terms of the Senior Executive Employment Agreements for Ram Mukunda and Prabhav V. Maniyar are attached hereto as Exhibit D.

1.1.139. Special Bar Date Order: The Order (a) Modifying Deadline for Certain Creditors to File Proofs of Claim; and (b) Approving Form and Manner of Notice Thereof, entered by the Bankruptcy Court in the Chapter 11 Cases on July 22, 2002.

1.1.140. Subordinated Claim: Any Claim, whether arising from the sale or issuance of an Equity Interest or otherwise, that is subordinated to the same level as Old Holdings Equity Interests pursuant to section 510(b) of the Bankruptcy Code.

1.1.141. Subsidiary Debtors: Operating and Licensing.

1.1.142. Subsidiary Equity Interests: Any and all Equity Interests in a Subsidiary Debtor outstanding as of the Filing Date.

1.1.143. Uniform Commercial Code: The Uniform Commercial Code as in effect in the State of Maryland as of the date hereof.

1.1.144. Unsecured Stock Distribution: Shares of New Common Stock, to be distributed to Holders of Allowed General Unsecured Claims in Class 3A of this Plan, subject to, as provided in, and in accordance with Sections 6.3.1 and 11.6 of this Plan.

1.1.145. Valuation Amount: As to the GE Capital Secured Claim (Class 2E) and the Heller Secured Claim (Class 2F), the lesser of the Allowed Amount of such Claim or the value of, as applicable, the GE Capital Equipment or the Heller Equipment, as determined by the Bankruptcy Court in accordance with section 506(c) of the Bankruptcy Code, or by agreement of the Consolidated Debtors and the Holder of the Claim.

1.1.146. VSNL Causes of Action: Any Causes of Action the Debtors may have against VSNL, Including those set forth in the adversary proceeding in Bankruptcy Court commenced by the Debtors on July 1, 2002, against VSNL styled Startec Global Communications Com. vs. Videsh Sanchar Nigam Limited and Comerica Bank, Adv. Pro No. 02-1232.

1.2. Interpretations. Whenever from the context it appears appropriate, each term stated in either the singular or the plural shall include the singular and the plural, and pronouns stated in the masculine, feminine or neuter gender shall include the masculine, the feminine, and the neuter. Unless otherwise defined in this Plan, all accounting terms shall be construed in accordance with generally accepted accounting principles in the United States of America. Unless otherwise specified, all section or exhibit references in this Plan are to the respective section in, or exhibit to, this Plan. The words “herein,” “hereof,” “hereto,” “hereunder,” and other words of similar import refer to this Plan as a whole and not to any particular section, subsection or clause contained therein. Any capitalized term used herein that is not defined herein shall have the meaning assigned to that term in the Bankruptcy Code. The rules of construction contained in section 102 of the Bankruptcy Code shall apply to this Plan. The headings in this Plan are for convenience of reference only and shall not limit or otherwise affect the provisions hereof. To the extent that there is any inconsistency between any provisions of this Plan and any of the provisions contained in the Plan Documents to be entered into as of the Effective Date, the Plan Documents shall control. To the extent that there is any inconsistency between the provisions contained in this Plan and any description thereof in the Disclosure Statement, this Plan shall control.

ARTICLE TWO

TREATMENT OF ADMINISTRATIVE EXPENSES

2.1. Administrative Expenses. On the latter of (a) the Effective Date (or as soon thereafter as is reasonably practicable), (b) five Business Days after the Allowance Date with respect to such Allowed Administrative Expense, or (c) such later date on which the

Consolidated Debtors and the Holder of the Administrative Expense otherwise agree, each Allowed Administrative Expense, other than a Professional Fee Claim, Allied Tranche A Claim or Allied Tranche B Claim, shall receive, on account of and in full and complete satisfaction, settlement, release and discharge of such Allowed Administrative Expense, (a) Cash equal to the unpaid portion of such Allowed Administrative Expense, or (b) such other less favorable treatment as to which the Consolidated Debtors and the Holder of the Administrative Expense shall have agreed upon in writing; provided, however, Allowed Administrative Expenses with respect to liabilities incurred by the Consolidated Debtors in the ordinary course of business during the Chapter 11 Cases shall, at the option of the Consolidated Debtors, be paid in the ordinary course of business in accordance with the terms and conditions of any agreements relating thereto.

2.2. Professional Fees. Each Professional seeking any award in respect of a Professional Fee Claim incurred through and including the Confirmation Date shall be required to file and serve a final application for allowance of compensation and reimbursement of expenses on or before the date that is sixty days after the Effective Date. Within five Business Days after a Professional ~~Fee~~ Claim is Allowed by Final Order, the Professional shall receive, on account of and in full and complete satisfaction, settlement, release and discharge of its Allowed Professional Fee Claim, (a) Cash equal to the amount awarded to such Professional by Final Order of the Bankruptcy Court, less all amounts previously paid to such Professional pursuant to any order of the Bankruptcy Court providing for payment of interim compensation to Professionals, or (b) such other less favorable treatment as to which the Consolidated Debtors and such Professional shall have agreed upon in writing.

Any reasonable fees and expenses of Professionals or other attorneys, accountants or other professionals retained by the Consolidated Debtors or the Reorganized Debtors for services rendered after the Confirmation Date, including those for services rendered after the Effective Date relating to objections to Disputed Claims and the implementation of this Plan, shall not require the filing of any applications with the Bankruptcy Court and may be paid by the Reorganized Debtors in the ordinary course of business and without further Bankruptcy Court approval.

2.3. Allied Tranche B Claim. On the Effective Date (or as soon thereafter as is reasonably practicable), Allied shall receive, on account of and (subject to Section 9.9(c) of this Plan) in full and complete satisfaction, settlement, release and discharge of the Allowed Allied Tranche B Claim, (a) the Modified Allied Secured Note and (b) payment of any accrued and unpaid interest and other amounts due, as of the Effective Date.

ARTICLE THREE **TREATMENT OF PRIORITY TAX CLAIMS**

3.1. Priority Tax Claims. Each Holder of an Allowed Priority Tax Claim shall receive, on account of and in full and complete satisfaction, settlement, settlement, release and discharge of such Allowed Priority Tax Claim, at the sole option of the Reorganized Debtors:

- (a) On the latter of (i) the Effective Date (or as soon thereafter as is reasonably practicable), (ii) five Business Days after the Allowance Date with respect to such

Allowed Priority Tax Claim, or (iii) the date **on** which the Consolidated Debtors and the Holder of such Allowed Priority Tax Claim otherwise agree, Cash in an amount equal to such Allowed Priority Tax Claim;

- (b) Beginning **on** the first anniversary following the Effective Date or such earlier date **as** the Bankruptcy Court may order, Cash payments made in equal annual (or more frequent if the Bankruptcy Court so orders or the Consolidated Debtors agree) installments, with the final installment being payable **no** later than the sixth anniversary of the date of the assessment of such Allowed Priority Tax Claim, in an aggregate amount equal to such Allowed Priority Tax Claim, together with interest on the unpaid balance of such Allowed Priority Tax Claim calculated from the Effective Date through the date of payment at the Applicable Rate; or
- (c) Such other treatment agreed to by the Holder of such Allowed Priority Tax Claim and the Reorganized Debtors.

ARTICLE FOUR **CLASSIFICATION OF CLAIMS AND INTERESTS**

4.1. Classification of Classes Pursuant to Sections 1122 and 1123(a)(1) of the Bankruptcy Code. Allowed Claims and Equity Interests **are** classified under this Plan **as** follows (other than Administrative Expenses and Priority Tax Claims, which **are** not classified **as** provided in section 1123(a)(1) of the Bankruptcy Code and are, instead, addressed in Articles Two and Three of this Plan); provided, however, the Alternative Plan is not a plan for Holdings and therefore shall not be deemed to classify Claims in Class 2D or Old Holdings Equity Interests in Class 6, which **are** Claims and Interests against and in Holdings. A Claim or Interest is placed in a particular Class for the purposes of voting **on** this Plan and of receiving distributions pursuant to this Plan only to the extent that such Claim or Interest is an Allowed Claim or Interest in that Class and such Claim or Interest has not **been** paid, released or otherwise settled prior to the Effective Date.

4.2. **Claims.**

Class 1. Class 1 consists of all Other Priority Claims.

Class 2A. Class 2A consists of the NTFC Claim.

Class 2B. Class 2B consists of the Allied Tranche A Claim.

Class 2C. Class 2C consists of the Allied Other Secured Claim.

Class 2D. Class 2D consists of the Avaya Secured Claim

Class 2E. Class 2E consists of the GE Capital Secured Claim.

Class 2F. Class 2F consists of the Heller Secured Claim.

Class 2G. Class 2G consists of the CTT Secured Claim.

Class 2H. Class 2H consists of all Miscellaneous Secured Claims.

Class 3A. Class 3A consists of all General Unsecured Claims other than those in the Convenience Class.

Class 3B. Class 3B consists of the Allied Unsecured Claim.

Class 3C. Class 3C consists of all General Unsecured Claims in the Convenience Class.

Class 4. Class 4 consists of the Pre-Petition Note Claims.

Class 5. Class 5 consists of all Intercompany Claims.

4.3. Equity Interests.

Class 6. Class 6 consists of all Old Holdings Equity Interests and any Subordinated Claims.

Class 7. Class 7 consists of all Subsidiary Equity Interests.

ARTICLE FIVE
IDENTIFICATION OF CLASSES OF CLAIMS AND INTERESTS
IMPAIRED AND NOT IMPAIRED BY THIS PLAN

5.1. Classes of Claims and Equity Interests Impaired by this Plan and Entitled to Vote. The NTFC Claim (Class 2A), Allied Tranche A Claim (Class 2B), the Allied Other Secured Claim (Class 2C), the Avaya Secured Claim (Class 2D), the GE Capital Secured Claim (Class 2E), the Heller Secured Claim (Class 2F); the CIT Secured Claim (Class 2G), General Unsecured Claims (Class 3A), the Allied Unsecured Claim (Class 3B), the Convenience Class (Class 3C), and Pre-Petition Note Claims (Class 4) **are** Impaired by this Plan and the Holders of Allowed Claims in such Classes **are** entitled to accept or reject this Plan; provided, however, if the Alternative Plan is confirmed, Holders of Allowed Claims in Class 2D and Class 4, and any other Holders of Allowed Claims against Holdings, shall be deemed not to be Impaired and shall not be entitled to vote such Claims with respect to the Alternative Plan.

5.2. Classes of Claims and Equity Interests Not Impaired by this Plan and Conclusively Presumed to Accept this Plan. Other **Priority** Claims (Class 1) **are** not Impaired by this Plan. Furthermore, the Debtors believe that Miscellaneous Secured Claims (Class 2H) and (provided that the Consolidated Plan, and not the Alternative Plan, is confirmed) the Subsidiary Equity Interests (Class 7) **are** not Impaired by **this** Plan, but the Bankruptcy Court has not decided this issue. Under section 1126(f) of the Bankruptcy Code, the Holders of Claims and Equity Interests that **are** not Impaired **are** conclusively presumed to accept this Plan. The acceptances of Holders of Other Priority Claims (Class 1) will not be solicited. However, the Debtors shall solicit the votes of any Holders of Claims and Interests in Class 1 and Class 7, pending any determination by the Bankruptcy Court whether such Classes **are** Impaired and whether the votes of Holders of such Claims and Interests in such Classes will be counted.

5.3. Classes of Claims and Equity Interests Impaired by this Plan and Deemed Not to Have Accepted this Plan. Intercompany Claims (Class 5) and (subject to Section 9.9(c) of this Plan) Old Holdings Equity Interests (Class 6) are Impaired by this Plan and do not receive or retain any property under this Plan provided, however, if the Alternative Plan is confirmed, Holders of Old Holdings Equity Interests (Class 6) shall be deemed not to be Impaired and shall not be entitled to vote such Equity Interests with respect to the Alternative Plan **as** confirmed. In addition, if the Alternative Plan is confirmed, the Subsidiary Equity Interests will be Impaired and will not receive any property under this Plan. Under ~~section~~ 1126(g) of the Bankruptcy Code, the Holders of the Intercompany Claims, the Old Holdings Equity Interests (if the Consolidated Plan is confirmed) and the Subsidiary Equity Interests (if the Alternative Plan is confirmed) **are** deemed not to have accepted this Plan. However, the Holders of the Intercompany Claims and the Subsidiary Equity Interests are co-proponents of and support this Plan.

ARTICLE SIX

TREATMENT OF CLAIMS AND INTERESTS

6.1. Other Priority Claims (Class 1).

On the latest of (a) the Effective Date (or **as** soon thereafter **as** is reasonably practicable), (b) five Business Days after the Allowance Date for such Other Priority Claim, or (c) the date on which the Consolidated Debtors and the Holder of such Allowed Other Priority Claim otherwise **agree**, each Holder of an Allowed Other Priority Claim shall receive, **on** account of and in full and complete settlement, release and discharge of such Allowed Other Priority Claim, (a) Cash equal to the amount of such Allowed Other Priority Claim or (b) such other treatment **as** to which the Reorganized Debtors and such Holder shall have agreed **upon** in writing in an amount sufficient to render such Allowed Priority Claim not Impaired under section 1124 of the Bankruptcy Code.

Class 1 is not Impaired and is conclusively presumed to have accepted this Plan.

6.2. Secured Claims.

6.2.1. NTFC Claim (Class 2A).

Subject to Section 9.9(c), the NTFC Claim shall be Allowed in the amount of \$38,848,464.71 **as** of the Filing Date. On the Effective Date (or **as** soon thereafter **as** is reasonably practicable), NTFC shall receive, **on** account of and in full and complete settlement, release, and discharge of the NTFC Claim, (A) the Modified NTFC Secured Note, (B) the Modified NTFC Junior Note, (C) the New Warrant, (D) 700,000 shares of New Common Stock, and (E) either (i) an additional 525,000 shares of New Common Stock if Class 3A does not accept this plan; or (ii) an additional 175,000 shares of New Common Stock if Class 3A accepts this Plan but either or both of Class 3C and Class 4 do not accept this Plan or the Alternative Plan is confirmed.

Class 2A is Impaired and is entitled to vote **on** this Plan.

6.2.2. Allied Tranche A Claim (Class 2B).

The Allied Tranche A Claim shall be Allowed in the amount of \$16,315,000 ~~as~~ of the Filing Date and shall, with Allied's consent, be treated solely for purposes of this Plan ~~as~~ a Secured Claim arising before the Filing Date, not ~~as~~ an Administrative Expense arising on or after the Filing Date. On the Effective Date (or ~~as~~ soon thereafter ~~as~~ is reasonably practicable), Allied shall, subject to Allied's election under Sections 6.2.3 and 6.3.2, receive, on account of and (subject to Section 9.9(c) of this Plan) in full and complete settlement, release and discharge of the Allied Tranche A Claim, (A) 6,300 shares of New Preferred Stock; (B) 25,200,000 shares of New Common Stock; and (C) either (i) an additional 1,575,000 shares of New Common Stock if Class 3A does not accept this plan; or (ii) an additional 525,000 shares of New Common Stock if Class 3A accepts this Plan but either or both of Class 3C and Class 4 do not accept this Plan or the Alternative Plan is confirmed.

Class 2B is Impaired and is entitled to vote on this Plan.

6.2.3. Allied Other Secured Claim (Class 2C).

On the Effective Date (or as soon thereafter ~~as~~ is reasonably practicable), Allied shall, subject to its election right in this subsection, receive, on account of and in full and complete settlement, release, and discharge of the Allied Other Secured Claim, \$1.00 in Cash. All Liens securing the Allied Other Secured Claim shall be deemed released and of no further force and effect, and, except ~~as~~ provided for in the following sentence, no other distributions shall be made in respect of the Allied Other Secured Claim. Allied's agreement to accept the treatment of the Allied Other Secured Claim ~~as~~ set forth above is conditioned upon and in consideration for Allied's right to elect that a portion of the New Common Stock being distributed to Allied under this Plan be distributed on account of Allied's Claim in this Class 2C. Allied shall, on or before the Effective Date, notify the Reorganized Debtors of the number of shares of the New Common Stock that shall be exchanged for the Claim represented in this Class 2C.

Class 2C is Impaired and is entitled to vote on the Plan.

6.2.4. Avaya Secured Claim (Class 2D).

If the Consolidated Plan is confirmed, the Avaya Secured Claim shall be Allowed in the amount of CAD \$30,000. Avaya shall receive, in full and complete settlement, release and discharge of the Avaya Claim, six Cash payments made in equal monthly installments of CAD \$5,000 beginning on the first day of the first full month following the Effective Date, without interest. Avaya shall retain a Lien on the Avaya Equipment to secure the Avaya Secured Claim. On and after the Effective Date, the Avaya Equipment and any other equipment sold or leased by Avaya to Reorganized Holdings shall be deemed owned by Reorganized Holdings, subject to the Lien securing payment of the Avaya Secured Claim, notwithstanding any lease agreements or other documents executed before the Filing Date under which the Holder of the Avaya Secured Claim purported to retain title to the Avaya Equipment (all such documents shall be of no further force and effect). Upon payment in full of the Avaya Secured Claim, Reorganized Holdings shall own the Avaya Equipment free and clear of such secured Claim and Lien. The Holder of the Avaya Claim shall receive no distribution under this Plan in respect of any amount of the

Avaya Claim greater than the Avaya Secured Claim, and any such deficiency portion of the Avaya Claim shall be discharged in full. Class 2D is Impaired under the Consolidated Plan and is entitled to vote **on** the Consolidated Plan.

If the Alternative Plan is confirmed, the claims and rights of the Holder of the Avaya Secured Claim vis-a-vis Holdings shall be fully preserved. Class 2D is not Impaired under the Alternative Plan and is therefore not entitled to vote **on** the Alternative Plan.

6.2.5. GE Capital Secured Claim (Class 2E) and Heller Secured Claim (Class 2F).

On the Effective Date, the GE Capital Claim shall be Allowed in the amount of \$641,736.46, and the Heller Claim shall be Allowed in the amount of \$1,508,099.11. The GE Capital Secured Claim shall equal the Valuation Amount of the GE Capital Equipment. The Heller Secured Claim shall equal the Valuation Amount of the Heller Equipment.

Valuation Amount: At the sole option of the Reorganized Debtors, **on** the Effective Date, or **as** soon thereafter **as** is reasonably practicable, the Holder of the GE Capital Secured Claim (Class 2E) and the Heller Secured Claim (Class 2F) shall, in full and complete settlement, release and discharge of the GE Secured Claim and the Heller Secured Claim, respectively, be (a) paid in full in Cash (or the indubitable equivalent) the Valuation Amount of such Secured Claim, (b) satisfied by obtaining the return of the GE Capital Equipment or the Heller Equipment, respectively, (c) given a five-year promissory note for payment of the Valuation Amount, plus interest thereon from the Effective Date **through** the date of payment in full at the Applicable Rate, secured by the GE Capital Equipment and the Heller Equipment, respectively or (d) paid and/or satisfied through any combination of subparagraphs (a), (b) and (c) of this Section 6.2.5 of the Plan. **On** and after the Effective Date, the GE Capital Equipment and the Heller Equipment and any other equipment sold or leased by the Holder of the GE Capital Secured Claim and the Heller Secured Claim to Debtors shall be deemed owned by the Reorganized Debtors, subject to the Lien securing payment of the GE Capital Secured Claim and the Heller Secured Claim, notwithstanding any lease agreements or other documents executed before the Filing Date under which the Holder of the GE Capital Secured Claim and the Heller Secured Claim purported to retain title to the GE Capital Equipment or the Heller Equipment (all such documents shall be of no further force and effect). Upon payment in full of the GE Capital Secured Claim and the Heller Secured Claim, Reorganized Operating shall own the GE Capital Equipment and the Heller Equipment, respectively, **free** and clear of such Secured Claims and Liens.

Unsecured Amount: **On** account of any deficiency between (i) the Allowed amount of the GE Capital Claim and the Allowed amount of the Heller Claim, and (ii) the Valuation Amount of such Claims, the Holder of the GE Capital Claim (Class 2E) and the Heller Claim (Class 2F) shall receive **no** distributions under this Plan and any such deficiency portion of the GE Capital Claim and the Heller Claim shall be discharged in full.

Class 2E and Class 2F **are** Impaired and entitled **to** vote **on this** Plan.

6.2.6. CIT Secured Claim (Class 2G).

~~On~~ account of and in full and complete settlement, release and discharge of the CIT Secured Claim, the Holder of the CIT Secured Claim shall retain its Lien on the CIT Equipment (until the CIT Secured Claim is paid in full), which shall secure repayment of the CIT Secured Claim, and shall receive, (i) ~~on~~ the first day of the first month following the Effective Date, a Cash payment of \$25,000, (ii) commencing ~~on~~ the first day of the first full month following the Effective Date, monthly Cash payments beginning in the second full month following the Effective Date in the amount of \$10,200 each for 40 months, and (iii) a Cash payment of \$26,000 due 42 months from the Effective Date. Certain CIT Equipment, specifically certain interface cards, a display monitor, and certain phone sets, shall be returned to the Holder of the CIT Claim. On and after the Effective Date, all remaining CIT Equipment shall be deemed owned by Reorganized Operating, subject to the Lien securing payment of the CIT Secured Claim, notwithstanding any lease agreements or other documents executed before the Filing Date under which the Holder of the CIT Secured Claim purported to retain title to the CIT Equipment (all of such documents shall be of ~~no~~ further force and effect). Upon payment in full of the CIT Secured Claim, Reorganized Operating shall own the CIT Equipment ~~free~~ and clear of such Lien. The Holder of the CIT Claim shall receive ~~no~~ distribution under this Plan in respect of any amount of the CIT Claim greater than the CIT Secured Claim, and any such deficiency portion of the CIT Claim shall be discharged in full.

Class 2G is Impaired and is entitled to vote ~~on~~ this Plan.

6.2.7. Miscellaneous Secured Claims (Class 2H).

~~On~~ the latest of (i) the Effective Date, (ii) the date on which such Miscellaneous Secured Claim becomes an Allowed Claim, and (iii) the date ~~on~~ which the Consolidated Debtors and the Holder of such Allowed Miscellaneous Secured Claim otherwise agree, at the election of the Consolidated Debtors, each Holder of an Allowed Miscellaneous Secured Claim shall ~~be~~ entitled to receive, ~~on~~ account of such Holder's Miscellaneous Secured Claim, one of the following treatments: (A) the unaltered legal, equitable and contractual rights to which such Holder of an Allowed Miscellaneous Secured Claim is entitled, (B) such Holder's Allowed Miscellaneous Secured Claim shall be reinstated and rendered unimpaired in accordance with section 1124(2) of the Bankruptcy Code, C) such other treatment ~~as~~ mutually agreed to by the such Holder and the Consolidated Debtors so ~~as~~ not to render such Claim Impaired.

Each Allowed Miscellaneous Secured Claim shall be deemed to be separately classified in a subclass of Class 2H and shall have all rights associated with separate classification under the Bankruptcy Code.

The Debtors believe that the Claims in Class 2H are not Impaired and therefore should be conclusively presumed to have accepted this Plan. ~~See Section 5.2~~ of this Plan.

6.3. Unsecured Claims.

6.3.1. General Unsecured Claims (Class 3A).

If Class 3A accepts this Plan, each Holder of an Allowed General Unsecured Claim in such Class shall, on account of and in full and complete settlement, release and discharge of such Claim, receive **as soon as** reasonably practicable following the later of the Claims Objection Deadline for all General Unsecured Claims or the Allowance Date for such Allowed General Unsecured Claim, its Pro Rata Share of 1,400,000 shares of New Common Stock.

If Class 3A does not accept this Plan, **no** New Common Stock will be issued to Class 3A, each Holder of a Class 3A Allowed General Unsecured Claim shall not receive or retain any property or interest in property on account of such Class 3A Claim, and all Class 3A Claims shall be discharged in accordance with this Plan and section 1141 of the Bankruptcy Code.

Class 3A is Impaired and is entitled to vote **on** this Plan.

6.3.2. Allied Unsecured Claim (Class 3B).

On the Effective Date or **as soon** thereafter **as** is reasonably practicable, Allied will receive, **on** account of and in full and complete settlement, release and discharge of the Allied Unsecured Claim, \$1.00 in Cash. Except **as** provided in the following sentence, **no** other distributions will be made in respect of the Allied Unsecured Claims. Allied's agreement to accept the treatment of the Allied Unsecured Claim **as** set forth above is conditioned upon and in consideration for Allied's right to elect that a portion of the New Common Stock being distributed under this Plan to Allied be distributed **on** account of Allied's Claim in this Class 3B. Allied shall, on or before the Effective Date, notify the Reorganized Debtors of the number of shares of the New Common Stock that shall be exchanged for the Claim represented in this Class 3B.

Class 3B is Impaired and is entitled to vote **on** this Plan.

6.3.3. Convenience Class (Class 3C).

If Class 3C accepts this Plan, on the Allowance Date for such Allowed Convenience Class Claims (or **as soon** thereafter **as** is reasonably practicable), each Holder of an Allowed Convenience Class Claim shall receive **on** account of and in full and complete settlement, release and discharge of such Convenience Class Claim, Cash equal to five percent (**5%**) of the Allowed amount of such Allowed Convenience Class Claim.

If Class 3C votes not to accept this Plan, **no** Holder of a Class 3C Allowed General Unsecured Claim shall receive or retain any property or interest in property on account of such Class 3C Claim, and all Class 3C Claims shall be discharged in accordance with this Plan and section 1141 of the Bankruptcy Code.

Class 3C is Impaired and is entitled to vote **on this** Plan

6.3.4. Pre-Petition Note Claims (Class 4).

If **(a)** Classes 3A, 3C and 4 accept this Plan and **(b)** the Consolidated Plan is confirmed, then, on the Effective Date (or **as soon** thereafter **as** is reasonably practicable), each Holder of **an** Allowed Re-Petition Note Claim shall receive, **on** account of and in full and complete

settlement, release, and discharge of such Allowed Pre-Petition Note Claim, its **Pro** Rata Share of 700,000 shares of New Common Stock.

If any or all of Classes 3A, 3C or **4** do not accept this Plan and the Consolidated Plan is confirmed, no Holder of a Pre-Petition Note Claim shall receive any shares of New Common Stock or receive or retain any property or interest in property on account of such Class **4** Claim, and all Class **4** Claims shall be discharged in accordance with this Plan and section **1141** of the Bankruptcy Code.

If the Alternative Plan is confirmed, the Claims of the Holders of the Pre-Petition Notes Claims vis-à-vis Holdings shall be fully preserved and shall not be affected by the Alternative Plan. The Holders of the Pre-Petition Note have Filed no Proof of Claim, and have no Claim, against the Subsidiary Debtors.

Class **4** is Impaired under the Consolidated Plan and is entitled to vote on the Consolidated Plan.

Class **4** is not Impaired under the Alternative Plan and is not entitled to vote on the Alternative Plan.

6.4. Intercompany Claims (Class 5).

On the Effective Date, all Intercompany Claims will be extinguished and no distributions will be made in respect of such Intercompany Claims.

Class **5** is Impaired and is deemed to have rejected this Plan.

6.5. Old Holdings Equity Interests (Class 6).

On the Effective Date, if the Consolidated Plan is confirmed, all Old Holdings Equity Interests will be extinguished and no distributions will be made in respect of such Old Holdings Equity Interests and all outstanding shares of Old Holdings Common Stock and any options, warrants or other rights to **acquire** Old Holdings Common Stock shall be cancelled. Class 6 is Impaired under the Consolidated Plan and is deemed to reject the Consolidated Plan.

If the Alternative Plan is confirmed, the Equity Interests of the Holders of Old Holdings Equity Interests in Holdings shall be fully preserved and shall not be affected by the Alternative Plan. Class 6 is not Impaired under the Alternative Plan and is not entitled to vote on the Alternative Plan.

6.6. Subsidiary Equity Interests (Class 7).

If the Consolidated Plan is confirmed, Holdings shall retain the Subsidiary Equity Interests and its respective share or shares of common stock of such Debtors representing such Subsidiary Equity Interests. The Debtors believe that the Claims in Class 7 **are** not Impaired and therefore should be conclusively presumed to have accepted the Consolidated Plan. See Section **5.2** of this Plan.

If the Alternative Plan is confirmed, on the Effective Date, all Subsidiary Equity Interests will be extinguished and no distribution will be made in respect of such Subsidiary Equity Interests. Class 7 is Impaired under the Alternative Plan and is deemed to have rejected the Alternative Plan.

ARTICLE SEVEN
ACCEPTANCE OR REJECTION OF THIS PLAN. EFFECT OF
REJECTION BY ONE OR MORE IMPAIRED
CLASSES OF CLAIMS OR INTERESTS

7.1. Acceptance by an Impaired Class of Creditors. Consistent with section 1126(c) of the Bankruptcy Code, an Impaired Class of Claims shall have accepted this Plan if this Plan is accepted by Holders of at least two-thirds in dollar amount and more than one-half in number of the Allowed Claims in such Class that have timely and properly voted to accept or reject this Plan by so marking and returning their Ballots.

7.2. Confirmation Pursuant to Section 1129(b) of the Bankruptcy Code. With respect to any Impaired Class that does not accept this Plan, the Debtors intend to request that the Bankruptcy Court confirm this Plan in accordance with section 1129(b) of the Bankruptcy Code.

ARTICLE EIGHT
UNEXPIRED LEASES AND EXECUTORY CONTRACTS

8.1. Assumption and Rejection of Executory Contracts and Unexpired Leases.

- (a) On the Effective Date subject to Section 9.8 hereof, all executory contracts and unexpired leases to which any or all of the Consolidated Debtors **are** a party shall be deemed rejected, except for any executory contracts or unexpired leases that (a) have already, by such date, been assumed or rejected pursuant to Final Order of the Bankruptcy Court, (b) **are** designated **as** a contract or lease to be assumed on the Schedule of Assumed Contracts attached **as** Exhibit E hereto, **as** such Schedule of Assumed Contracts may be amended from time to time on or prior to the Confirmation Date, or (c) **are** the subject of a separate motion by the Debtors to assume or reject pursuant to section 365 of the Bankruptcy Code. The Debtors may amend the Schedule of Assumed Contracts at any time on or prior to the Confirmation Date by filing such amendment with the Bankruptcy Court and serving it on the non-Debtor parties to the executory contracts or unexpired leases added to or deleted from the Schedule of Assumed Contracts.
- (b) On the Effective Date, each executory contract or unexpired lease of any and all of the Consolidated Debtors on the Schedule of Assumed Contracts, **as** it may be amended from time to time on or prior to the Confirmation Date, shall be assumed by the Consolidated Debtor identified in the Schedule of Assumed Contracts **as** the Debtor-party to such executory contract or unexpired lease. Each executory contract and unexpired lease assumed pursuant to this Plan by any Consolidated Debtor shall revert in, be deemed assigned to, and be fully enforceable by, the applicable Reorganized Debtor on and after the Effective Date.